

VIRGINIA RESOURCES AUTHORITY

MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE SUBCOMMITTEE MINUTES OF THE REGULAR MEETING

The Municipalities Continuing Disclosure Cooperation Initiative Subcommittee of the Virginia Resources Authority met on Monday, February 29, 2016 in the Virginia Resources Authority Board Room, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members present

John H. Rust, Jr., Chair
Dena Frith Moore
William G. O'Brien, Ex Officio

Other Board Members Present

John H. Aulbach, II
David Branscome
Thomas L. Hasty, III
Bradley Jones on behalf of Manju Ganeriwala

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration and Operations
Peter D'Alema, Director of Program Management
Rachael Logan, Fiscal & Administrative Specialist

Others Present

T. W. Bruno, McGuireWoods, LLP

Call to Order

The meeting was called to order by Mr. John H. Rust, Jr., Chair, at 1:00 p.m.

Approval of Agenda

There being no amendments, the agenda stands approved as presented.

Municipalities Continuing Disclosure Cooperation (MCDC)

Mr. Peter D'Alema, Director of Program Management, stated that recent articles in *The Bond Buyer* prompted this meeting and the action being requested is precautionary. A copy of an article from *The Bond Buyer* entitled "GFOA Alert Urges Issuers to Prepare for SEC MCDC Settlement Offers" dated February 10, 2016 was provided to the Committee. He explained that

under the MCDC Initiative, the Securities and Exchange Commission (SEC) offered issuers of municipal securities, standard settlement terms, including no financial penalties related to instances of non-compliance with prior continuing disclosure undertakings that were not reported correctly in issuer official statements. This offer was contingent on issuers self-reporting instances in which the issuer may have made materially inaccurate disclosures of its past continuing disclosure compliance in its offering documents. The article stated that the SEC has had several rounds of settlements with underwriters and to date there has been two waves of underwriter settlements with possibly a third. In addition, the SEC did not provide the underwriters much time for negotiations and the underwriters had a short turn around for acceptance of settlement agreements. The SEC is now shifting its focus to municipal issuers that filed under the MCDC Initiative.

Mr. D'Alema continued that in the event a settlement is offered or required of VRA prior to the June 2016 meeting, VRA staff is recommending consideration and approval of a resolution by the Subcommittee and Full Board. The resolution lays out the current status of the MCDC initiative, provides for notification of the MCDC Committee by the Executive Director if or when an SEC settlement is offered to VRA. Once the MCDC Committee is notified of the settlement offer, the resolution authorizes the Executive Director to enter into the settlement agreement on behalf of VRA.

Mr. D'Alema noted that the SEC may require the adoption of a continuing disclosure policy, which has, he said, been drafted and reviewed by the Committee and Board. However, the Executive Director added that the policy should not be adopted by the VRA Board until the SEC has contacted VRA as it may be necessary to incorporate specific recommendations from the SEC in the policy.

In response to the Executive Director, Mr. T. W. Bruno with McGuireWoods, stated that issuers will likely have only ten days to sign settlements and return the agreement to the SEC. The issuers have the opportunity to meet with SEC staff for the confirmation of facts only.

There was further discussion related to general continuing disclosure requirements of VRA and material obligors in VRA programs.

Resolution – Securities and Exchange Commission

Motion by Ms. Moore, seconded by Mr. O'Brien, to recommend to the Full Board approval of a resolution authorizing the Executive Director to enter into a settlement with the Securities and Exchange Commission under the Municipalities Continuing Disclosure Cooperation Initiative.

Motion carried.

The resolution is attached hereto and made a part herein.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment

There was no public comment.

Adjournment

There being no further business to come before Committee, the meeting adjourned at 1:10 p.m.

The next meeting of the Subcommittee to be determined.

John H. Rust, Jr., Chair

Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee met on Monday, February 29, 2016, in the Virginia Resources Authority Conference Room, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members Present

Dena Frith Moore, Chair
David Branscome
Thomas L. Hasty, III
Bradley Jones on behalf of Manju Ganeriwala
John H. Rust, Jr.
William G. O'Brien, Ex Officio

Committee Members Absent

None.

Other Board Members Present

John H. Aulbach, II on behalf of Marissa Levine
David K. Paylor

Staff

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
Kimberly Adams, Senior Program Manager
Stephanie Jones, Program Manager/Compliance Officer
Rachael Logan, Fiscal & Administrative Specialist

Others

Molly Ward, Secretary of Natural Resources, Office of the Governor
Valerie Thomson, Virginia Department of Environmental Quality
T.W. Bruno, McGuireWoods, LLP
Ty Wellford, Davenport and Company LLC
Meagan Gilliland, Christian & Barton, LLP
R.Gaines Tavenner, Christian & Barton, LLP
Walter Gill, Virginia Department of Environmental Quality
Howard Eckstein, Virginia Department of Health
Clyde Cristman, Virginia Department of Conservation and Recreation

Ann Henderson, Virginia Department of Conservation and Recreation
Craig Seaver, Virginia Department of Conservation and Recreation
James L. Smith, Virginia Department of Conservation and Recreation

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 1:30 p.m.

Approval of Agenda

There were no corrections or additions to the agenda.

Motion by Mr. O'Brien, seconded by Mr. Rust, that the agenda be approved as submitted.

Motion carried.

Closed Session

Ms. Moore called for a motion to go into closed session to consider acquisition of real property for public use.

Motion by Mr. Branscome, seconded by Mr. Aulbach, to enter into a closed meeting in accordance with Section 2.2-3711(A)(3) of the Code of Virginia, as amended, for the purpose of discussion and consideration of the acquisition of real property for a public purpose where the details of the strategy to acquire such property could adversely impact bargaining and negotiation. The discussion and consideration includes discussion of potential long term agreements to ultimately transition the property to its public purpose over time.

Motion carried.

The closed meeting convened at 1:31 p.m.

Open Session

The open session reconvened at 2:45 p.m. Executive Director Hamlett read the following resolution certifying closed meeting.

Resolution Certifying Closed Session

Whereas, the Portfolio Risk Management Committee of the Virginia Resources Authority (the "Committee") has on the date of this resolution recessed into closed session pursuant to an affirmative recorded vote made in accordance with the provisions of the Virginia Freedom of Information Act;

Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Committee that such closed meeting was conducted in accordance with Virginia law;

Now, therefore, be it resolved that the Portfolio Risk Management Committee of the Board of Directors of the Virginia Resources Authority does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and that were lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee.

Motion by Mr. O'Brien, seconded by Mr. Branscome, that the above resolution certifying closed session, be approved.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Aulbach, Mr. Branscome, Mr. Hasty, Mr. Jones, Mr. O'Brien, Mr. Paylor, Mr. Rust, , Ms. Moore, Chair.

Nays: None.

Absent for Vote: None.

Absent for Meeting: None.

Motion carried.

Ms. Hamlett stated that it is not necessary for those in attendance for the closed session to attend the Board meeting on March 1, 2016. She is aware of what is needed of VRA, and Mr. Rust stands ready to be helpful. She thanked everyone for their attendance.

Recess

The meeting recessed at 2:46 p.m. and reconvened at 2:53 p.m.

Mr. John H. Aulbach, II, Mr. David K. Paylor, and Mr. Walter Gill left the meeting following the closed session. (At this point, Valerie Thomson was acting as designee for Mr. Paylor)

Clean Water State Revolving Loan Fund (CWSRLF) Refunding

Mr. Shawn Crumlish, Director of Financial Services, presented the proposed refunding of the Clean Water State Revolving Loan Fund Revenue Bonds, Series 2010B. He stated that Davenport and Company, LLC has provided an initial analysis showing potential savings for an advanced refunding of the callable maturities. Staff is currently contacting borrowers with loans funded from these bond proceeds to assure that an advanced refunding aligns with their current debt management plans. With the consent of the Department of Environment Quality, he stated that the intention is to pass the savings through to program participants with loans funded from the 2010B Clean Water Bonds. Mr. Crumlish noted that the Board authorized the issuance

through the June 2015 Refunding Shelf Resolution. The refunding issue will be completed prior to the next Board meeting in June 2016.

Non-Governmental Guidelines

Mr. Shawn Crumlish, Director of Financial Services, stated that VRA is considering a new underwriting guideline relating to non-governmental borrowers. VRA will be receiving input from State agency partners that may be impacted by non-governmental guidelines. He continued that the Virginia Code permits loans to local governments or eligible “other entities” based on certain criteria in various financing programs.

Mr. Crumlish explained that under the proposed guidelines, loans greater than \$150,000 will be required to meet more stringent criteria than water and sewer loans less than \$150,000 while still maintaining minimum credit standards for smaller loans. Mr. Crumlish summarized the criteria. He stated that the guidelines do not apply to the Agricultural Best Management Practices Loan Program. Non-governmental loans not meeting the potential guidelines would require PRMC and Board approval.

In response to Mr. Rust regarding the specific restriction of a debt service reserve requirement for privately owned water, the Executive Director stated that none of the underwriting guidelines have been updated since 2013, and there are some technical matters that could benefit from further clarification in the guidelines. She explained that rather than addressing the proposed non-governmental guidelines individually, staff will be reviewing all of VRA’s underwriting guidelines for potential updates. Ms. Hamlett confirmed no action is required at this time. Staff will return in September after a complete review of the guidelines and after conversations and input from the Department of Environmental Quality and the Department of Health. The Committee will receive the updated guidelines and the proposed non-governmental guidelines for review prior to the September 2016 meeting.

2016A Virginia Pooled Financing Program (VPFP)

Mr. Peter D’Alema, Director of Program Management, explained that 14 local government applications have been received for the 2016A Virginia Pooled Financing Program (VPFP) with nearly \$170 million in requested proceeds. The applications cover seven of VRA’s authorized project areas. Mr. D’Alema continued that due diligence calls have been completed and none of the applications require PRMC and Board approval. He stated that up to 10 existing VRA borrowers may seek to refund prior VPFP debt and four of the borrowers have already committed. Mr. D’Alema shared the Active Applicant List, noting that there is a good mix of new money and refunding applications with various security types. He explained that the bond issue includes six individual new exposure loan requests in excess of \$10 million. He reviewed each of the applicants highlighting security, bond ratings and the amounts of each request. In addition, he said that preliminary analysis indicates that the loan requests meet VRA’s appropriation only, lease revenue, tax supported or revenue underwriting guidelines.

Mr. D'Alema continued that Chesterfield County is one of the largest borrowers in the pool with a loan request of \$22.6 million. The purpose of the loan is to renovate an existing local government building and to refund prior financings related to local government buildings and an airport hangar. The anticipated net present value savings is \$1.67 million. The loan will be secured by a special revenue pledge under VRA's Appropriation Only Backed Underwriting Guidelines. The County, he noted, has a strong General Obligation rating, strong historic financial performance, state-aid coverage, and would be a new borrower to the VPFP portfolio. He noted that initially staff thought that the request would require approval by the PRMC and Board because there was a question regarding one of the metrics in the guidelines. However, upon further review, it was determined that the County's unassigned fund balance to total revenues ratio falls within the 'adequate' category under VRA's tax-supported underwriting guidelines. He concluded that the bond pricing will be on May 11, 2016 and pre-closing and closing will be May 24-25, 2016.

2016B Virginia Pooled Financing Program

Mr. Peter D'Alema, Director of Program Management, stated that due to the success of previous summer pooled bond issues, a 2016B summer bond issue will be offered. He continued that six localities have expressed interest in participating in the summer transaction for both new money and refunding needs. Mr. D'Alema noted that there will be some overlap with the spring and summer pools related to the financing calendars. The pricing for the summer pool will be on July 27, 2016, and pre-closing and closing is scheduled for August 9-10, 2016.

Virginia Pooled Financing Program Portfolio (VPFP) Update

Mr. Peter D'Alema, Director of Program Management, stated that the Virginia Pooled Financing Program Portfolio (VPFP) has \$2.28 billion in total local borrower loans outstanding. There are a total of 140 borrowers with 302 loans. The top ten borrowers represent approximately 36% of the overall VPFP portfolio, with the largest borrower being 6.28% of the overall VPFP portfolio.

Mr. D'Alema explained that a few of VRA's borrowers have been in the news, the most recent and notable of which is the City of Petersburg. The release of Petersburg's FY2015 audit created concern regarding its finances; however, VRA is aware of the matter and contacted Petersburg's Finance Director upon review of the FY2015 audit. The audit shows Petersburg with nearly a \$6 million general fund deficit and a 24% increase in taxes receivable over FY2014. The taxes receivable are attributed to the delinquent taxes that have been billed but not collected. In addition, there continues to be weak general fund liquidity.

Mr. D'Alema explained that there was an article reporting a \$2.5 million shortfall in payments owed from the City to the Virginia Retirement System. The article also highlighted utility billing issues and some faulty meters, which prevented the City from billing for water and sewer services for certain residents between October and December 2016. The City has sent estimated utility bills to these residents based on historic use. He continued that VRA has \$25.8 million in loans to the City, four in the VPFP and one in the Clean Water Revolving Loan Fund (CWRLF). Mr. D'Alema highlighted steps taken by Petersburg to address current issues, noting that

Petersburg has made payments on all VRA loans as agreed. In addition, he said that VRA security is strong. VRA will continue close monitoring of payment and financial performance.

Mr. D'Alema provided an overview of the City's financials, stating that Petersburg has historically weak liquidity with heavy reliance on current assets to meet current liabilities. However, in 2015 Petersburg began working with a financial advisor to assist in developing policies to reduce reliance on revenue anticipation notes to meet operational liquidity needs. Mr. D'Alema shared Petersburg's balance sheet.

There was extensive discussion relative to the General Fund-Operating Performance Summary, State Aid and State Aid Coverage. The Executive Director stated that there is an Administration alert relative to the impact on the city, particularly schools, if the State Aid funds are ever diverted in order to pay debt service on state-aid eligible debt service. In this regard, there are plans for VRA to meet with Petersburg officials in March, along with the State Treasury, Secretary of Finance and Trade and others.

Mr. D'Alema also highlighted the Bristol Virginia Utilities Authority (BVUA) as it relates to ongoing investigations pertaining to employee fraud. However, BVUA loans continue to perform, financial performance is strong, and historic debt service coverage is in excess of 3.0x.

Mr. D'Alema concluded with mention of the Town of Pocahontas' 2005 VPFP loan. He noted that the town has been monitored on a continuous basis by VRA since 2011. He explained that the VPFP loan continues to perform. With VRA's participation, an agreement was developed whereby Tazewell County Public Service Authority (TCPSA) will operate the water system for Pocahontas and is expected to take over the Pocahontas water system once the 2005 VPFP loan is repaid in 2027.

Loan Monitoring & Compliance Annual Report

Ms. Stephanie Jones, Program Manager/Compliance Officer, stated that the FY2014 Loan Monitoring & Compliance Database (LMCD) is completed. She provided the Committee with bound copies of the LMCD. Ms. Jones explained that all loan programs are broken out by balances outstanding and risk category. She provided an extensive summary on the status of each program in the portfolio.

Ms. Jones continued that overall VRA's portfolio, including all programs, is very strong with 71% of borrowers in the green category, 19% in the yellow category, 9% in the red category and 1% in the grey category, based on balances outstanding. The trend over years has green increasing, yellow decreasing and red and grey remaining the same. The movement to green is attributable to general economics. Ms. Jones identified two areas of risk in the portfolio, namely town and non-governmental borrowers. The town borrowers, she said, are 45% red. They are not getting stronger. The non-governmental borrowers are 70% red. In the overall portfolio each represent only a small percentage of the total portfolio, with towns making up 7% of the balances outstanding and non-governmental borrowers making up less than 1% of the balances outstanding. In regard to borrower concentration, only 19% of the number of borrowers hold

over 80% of the debt outstanding across all VRA programs. Most of the borrowers are strong borrowers and are in the green category. Ms. Jones concluded stating that the VPFP and CWRLF have no material obligors; VARF has one material obligor; and the PLBP had one material obligor in FY14 and six in FY15. She elaborated on each obligor.

In response to Ms. Moore, Mr. D'Alema stated that overall the Loan Monitoring & Compliance database is fulfilling its purpose and the metrics are good. Mr. Hasty added that the Loan Monitoring & Compliance Database significantly improved since its inception and essentially the list of red borrowers is a watch list. Mr. O'Brien added that VRA receives strong support from rating agencies in terms of referring localities desiring to structure programs to VRA.

Ms. Valerie Thomson left the meeting at 4:00 p.m.

Portfolio Risk Management (PRM) Reserve

Mr. Peter D'Alema, Director of Program Management, commended Mr. Jonathan Farmer, Program Manager, for his research efforts related to the Portfolio Risk Management Reserve. Mr. D'Alema began his discussion noting that the PRM Reserve is an additional reserve that provides VRA with another means of ensuring that the Commonwealth's moral obligation pledge is never called up by VRA should a local government borrower default on a loan that is backed by a Capital Reserve Fund. He provided an overview of Unrestricted Net Assets Guidelines adopted by the Board to provide additional financial stability to VRA and its programs.

Mr. D'Alema reviewed the current methodology used for determining the PRM reserve target, stating that it applies historic Moody's municipal default rates for VRA borrowers in programs backed by a Capital Reserve Fund based on borrower classifications in the VRA Loan Monitoring and Compliance Database (LMCD). He explained the ratings and default rates in each of the categories of the LMCD, namely, green, yellow, red and grey, noting that the borrowers in the red category represent the most risk. Mr. D'Alema provided a sample PRM reserve calculation using the current methodology, explaining that the target PRM reserve amount is \$11.584 million based on FY2014 data under the current methodology.

Mr. O'Brien left the meeting at 4:13 p.m.

Due to reclassification of certain large borrowers under the LMCD, Mr. D'Alema explained that the PRM Reserve target can fluctuate widely from year to year under the current methodology. In an effort to stabilize the long-term default loss target over time, staff has researched a new PRM Reserve methodology that uses the S&P bond insurer criteria as a basis for the PRM Reserve target and uses average annual debt service for each applicable loan as a better proxy for the actual funds needed in the unlikely event of a local borrower default in a given fiscal year. In addition, he stated that S&P borrower ratings or assigned ratings are applied to VRA loans backed by a Capital Reserve Fund as the basis for determining the related capital charges. The capital charge assessments under new methodology were reviewed. He stated that VRA's LMCD is connected to the proposed PRM Reserve methodology by identifying "watch list" borrowers

and setting aside 100% of average annual debt service as a default reserve for watch list loans. The new methodology database for FY2015 was provided and explained.

Mr. D'Alema concluded by noting the benefits of the new methodology, stating that it is more conservative; expected to be more stable over time with growth in the reserve to be closely tied to growth in overall portfolio; has more timely data; and still ties to the LMCD by including watch list borrowers. There were no weaknesses identified. No action is being requested currently, but staff may make a formal recommendation later in 2016 regarding the adoption of the new PRM Reserve methodology.

There was discussion relative to maintaining \$14.88 million in the reserve for "A" rated and below borrowers. It was explained that the purpose of having such a high reserve is to protect the Commonwealth's Moral Obligation pledge.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Hasty, seconded by Mr. Rust, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 4:31 p.m. The next meeting of the Committee is June 6, 2016.

Dena Frith Moore, Chair

Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on March 1, 2016, in the Virginia Resources Authority Conference Room, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Members Present

William G. O'Brien, Chair
James H. Spencer, III, Vice Chair
John J. Aulbach II, P.E. on behalf of Marissa Levine
David Branscome
Clifford Burnette on behalf of Randall P Burdette
Barbara McCarthy Donnellan (Conference Call per policy)
Thomas L. Hasty, III
Bradley Jones on behalf of Manju Ganeriwala
Dena Frith Moore
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent

None.

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy
Michael Cooper, Director of Administration & Operations
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
Kimberly S. Adams, Senior Program Manager
Joseph Bergeron, Financial Services Manager
Stephanie Jones, Program Manager/Compliance Officer
Rachael Logan, Fiscal & Administrative Specialist
Emmanuel Oyaghiro, Senior Financial Analyst
George Panos, Deputy Controller
Jonathan Farmer, Program Manager

Others Present

Steve Pellei, Virginia Department of Health
T. W. Bruno, McGuireWoods, LLP

Ty Wellford, Davenport & Company, LLC
Leah Schubel, Davenport & Company, LLC
Alicia Petska, The Roanoke Times

Call to Order

Mr. William G. O'Brien, Chair, called the meeting to order at 9:00 a.m. He welcomed Mrs. Barbara McCarthy Donnellan to the meeting via conference call.

Approval of Agenda

Motion by Mr. Branscome, seconded by Ms. Moore, to approve the agenda as presented.

Motion carried.

Approval of Meeting Minutes

The Chair called for a motion to approve the minutes of the Personnel Committee and Portfolio Risk Management Committee meetings, held on December 7, 2015; and the Board of Directors, meeting held on December 8, 2015.

Motion by Mr. Aulbach, seconded by Mr. Rust, to approve the minutes of the Personnel Committee and Portfolio Risk Management Committee meetings, held on December 7, 2015; and the Board of Directors meeting, held on December 8, 2015.

Motion carried.

Executive Director's Report

Ms. Stephanie L. Hamlett, Executive Director, highlighted her report stating that she and staff joined the Chairman in attendance at the Virginia Association of Counties (VACO) Annual Meeting, November 8-10, 2015. In addition, she and staff attended the Rural Summit and met with the Vice Chair of the House Appropriations Committee, Delegate R. Steven Landes, to further acquaint him with VRA. The meeting went well.

Ms. Hamlett continued that VRA has a Memorandum of Agreement (MOA) with the Virginia Tobacco Region Revitalization Commission (VTRRC) in connection with VTRRC's Revolving Loan Fund to be managed by VRA. The document has been signed by VTRRC, and the Treasurer, as required. VRA is reviewing its first five applications for the fund.

Ms. Hamlett stated that she was appointed to the Board of the Council of Infrastructure Financing Authority (CIFA) and has been relatively active with the organization through conference calls, emails, and other inquiries. Mr. Shawn Crumlish, Director of Financial Services, has also been active and will be attending CIFA's policy meeting where he will introduce the lead speaker from Hampton Roads Sanitation District (HRSD).

Ms. Hamlett concluded her report with a discussion of proposed legislation that would impact VRA. HB801, proposed by Delegate Rick Morris, prohibited the Commonwealth and localities from imposing a charge and calling it a fee unless it is directly linked to cost, including tolls, water and sewer charges, and loans. A coalition of local government representatives who raised concerns were successful in having the bill withdrawn. In addition to this measure, there was budget language from the Governor regarding assistance for Natural Bridge in the Senate version of the budget and not in the House version. Therefore, VRA cannot move forward with a possible resolution until there is a final budget. She noted that Natural Bridge is current on its payments.

Municipalities Continuing Disclosure Cooperation Initiative (MCDC)

Mr. John H. Rust, Jr., Chair of the Municipalities Continuing Disclosure Cooperation Initiative Subcommittee (MCDC) stated that recent articles in *The Bond Buyer* prompted the MCDC meeting and the action requested by the Subcommittee is precautionary. Mr. Rust said the Securities and Exchange Commission (SEC) is now shifting its focus to municipal issuers who filed disclosures under the MCDC Initiative. Further, he noted, should a settlement be offered or required of VRA prior to the Board's June meeting, the MCDC Subcommittee is recommending Board approval of a resolution that provides that the Executive Director notify the MCDC Subcommittee of any settlement offer and authorizes the Executive Director to enter into a settlement agreement.

Motion by Mr. Rust, seconded by Ms. Moore, to approve a resolution authorizing the Virginia Resources Authority Executive Director to enter into a settlement with the Securities and Exchange Commission under the Municipalities Continuing Disclosure Cooperation Initiative.

Motion carried.

The resolution is attached hereto and made a part herein.

Portfolio Risk Management Committee (PRMC)

Ms. Dena Frith Moore Chair, Portfolio Risk Management Committee, shared the following.

2016 Clean Water State Revolving Fund (CWSRF): Ms. Moore explained that VRA may pursue a refunding of the Clean Water State Revolving Loan Fund Revenue Bonds, Series 2010B. The Series 2010B bonds are showing strong savings and the intent is to pass the savings through to program participants. She concluded that the Board has already authorized the issuance through the June 2015 Refunding Shelf Resolution. The Board will be notified at its meeting in June 2016 if the refunding issue proceeds.

Non-Governmental Underwriting Guidelines: Ms. Moore stated that VRA has written underwriting guidelines for most of its loan types. However, she explained that there are no guidelines for non-governmental entities. Staff, she said, has done a recent review of all of the non-governmental loans in VRA's programs and is determining whether there should be

guidelines for the non-governmental loans. One suggestion requires loans greater than \$150,000 to have a credit rating at the "AA" category or better; or acceptable bank standby letter of credit; or fully-collateralized with cash or U.S. Treasuries held in escrow. Water and sewer loans less than \$150,000 would require rate covenant certification and a cash-funded debt service reserve fund of at least the maximum annual debt service. Loans not meeting the guidelines will require PRMC and Board approval. Staff will continue its review of proposed guidelines and will discuss and receive guidance from agency partners. The Board will hear more about the guidelines at its September 2016 meeting.

2016A Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, stated that 14 new exposure local government applications were received with nearly \$170 million in requested proceeds, covering seven of VRA's authorized project areas. Some of the loans, he said, may not move forward for a number of reasons. Mr. D'Alema noted that 18 due diligence calls were completed and none of the applications require PRMC and Board approval. Mr. D'Alema shared the Active Applicant List, noting that it has a good mix of borrowers and security. He stated that there are six individual new exposure loan requests in excess of \$10 million. Mr. D'Alema continued that Chesterfield County is one of the largest borrowers in the pool with a loan request of \$22.6 million. Mr. D'Alema reviewed the credit ratings, security, and loan amount for each of the borrowers. He concluded with the Financing schedule, noting that bond pricing will occur on May 11, 2016, and the pre-closing and closing will occur on May 24 -25, 2016.

2016B Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, summarized the 2016B VPFP. He stated that VRA reached out to 30 localities regarding participation in the 2016B pool. Six localities have expressed interest in participating in the summer transaction for both new money and refunding needs. Mr. D'Alema shared the financing calendar, noting that bond pricing will be July 27, 2016 and the pre-closing and closing is scheduled for August 9-10, 2016.

Loan Monitoring & Compliance Annual Report: Ms. Stephanie Jones, Program Manager/Compliance Officer, provided a brief overview of the Loan Monitoring & Compliance Database (LMCD). She stated that overall VRA's portfolio, including all programs, is very strong with 71% of borrowers in the green category, 19% in the yellow category, 9% in the red category and 1% in the grey category, based on balances outstanding. The five-year trend has green increasing, yellow decreasing and red and grey remaining the same. The movement to green is attributable to general improvements to the economy. Ms. Jones identified two areas of risk in the portfolio, namely town borrowers and non-governmental borrowers. The town borrowers are 45% red. They are not getting stronger. The non-governmental borrowers are 70% red. Each represent only a small percentage of the total portfolio, with towns making up 7% of the balances outstanding and non-governmental borrowers making up less than 1% of the balances outstanding. In regard to borrower concentration, 19% of the number of borrowers hold over 80% of the debt outstanding across all VRA programs. Most of these borrowers are strong and are in the green category. Individually no borrower holds more than 6% of the overall portfolio's debt outstanding. Ms. Jones concluded that the VPFP and CWRLF have no material

obligors; VARF has one material obligor; and the PLBP had one material obligor in FY14 and six in FY15.

Ms. Moore thanked Ms. Jones for the bound copy of the Loan Monitoring & Compliance Database, and expressed appreciation to Ms. Jones for a job well done.

VPFP Update: Ms. Moore stated that staff continues to monitor Petersburg after its weak performance. Despite weak liquidity and poor budgeting in 2015 the City loans from VRA continue to perform. The City is making payments as agreed and payments are significant. She added that City management is taking steps to reduce current year expenditures and to collect delinquent taxes. Staff does anticipate that weak liquidity will persist but believes VRA loans to Petersburg are well secured.

Portfolio Risk Management (PRM) Reserve Methodology: Ms. Moore stated that VRA has a reserve methodology in place that is based on red, yellow and green statistics in the Loan Monitoring & Compliance Database. When a larger loan moves from one category to another, there is a lot of volatility in calculations. The PRMC, she said, tasked staff to determine if there is another way of creating consistency relative to calculations. Staff conducted research and introduced a methodology drawing from bond insurer credit criteria as a basis for determining what kind of reserve should be established. The PRMC reviewed the proposed methodology in great detail in terms of how the new methodology will affect past calculations and what the calculations will look like going forward. Ms. Moore stated that the PRMC was pleased with the proposed methodology and asked Mr. Peter D'Alema, Director of Program Management, and the staff to continue their review and to present recommendations to the Board in June or September 2016. She thanked staff for the good work.

Closed Session: Ms. Moore reported that the PRMC went into closed session to consider potential acquisition of property for public use. No decision was reached, and the Board will be kept apprised.

Old Business

Virginia Tobacco Region Revolving Loan Fund (VTRRLF): Mr. Shawn Crumlish, Director of Financial Services, stated that the 2015 Session of the General Assembly authorized the Virginia Tobacco Region Revitalization Commission (Commission) to establish a revolving loan fund to be managed by VRA. VRA has been working with the Commission to develop program guidelines and enter into a Memorandum of Agreement (MOA). The MOA has been executed.

The Commission has asked VRA to consider five applications for loans. Should VRA move forward with the loans, the Commission will transfer the amount of the loans into the VTRRLF staff is requesting Board approval of a resolution, similar to other resolutions VRA has approved with other revolving loan funds, authorizing the Executive Director to enter into a loan agreement.

Motion by Mr. Aulbach, seconded by Mr. Rust, to approve a resolution authorizing the Executive Director of the Virginia Resources Authority to enter into loan agreement under the Virginia Tobacco Region Revitalization Commission Act.

Motion carried.

Resolution is attached hereto and made a part herein.

New Business

2016 Infrastructure Financing Conference: Mr. O'Brien stated that December 14-16, 2016 has been suggested for the 2016 Infrastructure Financing Conference which will be held in Williamsburg.

Ms. Moore asked for the percentage of attendees from the western part of state that attend the conference and will the proposed location be a challenge for participants to attend. Ms. Hamlett responded that consideration has been given to the potential impact on attendees from the western part of Virginia but also noted the conference has been held in Roanoke twice. Staff believes that the Williamsburg location will draw more eastern attendance from rural areas such as the Eastern Shore and Northern Neck, while striking interest in some of the larger areas.

Mr. Spencer concurred and said he did not believe the Williamsburg location would necessarily be an obstacle in attendance for those from the western part of the State. He said he likes the idea of holding the conference in various locations throughout the Commonwealth.

The December 14-16, 2016 dates were accepted for the 2016 Infrastructure Financing Conference. The Board will be notified of the exact location of the conference in Williamsburg.

4th Annual Investors Conference: Mr. Ty Wellford, Davenport & Company, LLC, stated that the 4th Annual Investors Conference will be held in Williamsburg, April 6 – 7, 2016. VRA will be presenting. It is a good opportunity to have a cross section of issuers together, and there will be an effort to bring in as many bond investors as possible to hear from the issuers and to give issuers the opportunity to expand the buyer base. He stated that the conference is free and invited Board members to attend.

Recognition: Mr. O'Brien recognized Mr. Bradley Jones who is attending the meeting on behalf of Manju Ganeriwala, State Treasurer. Mr. O'Brien noted that Mr. Jones is a former employee of VRA. Mr. Jones thanked the Board for welcoming him back.

Conference Call: Mrs. Barbara McCarthy Donnellan stated that her vote should be recorded in the positive for everything discussed at the meeting.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Hasty, seconded by Mr. Branscome, to adjourn the meeting.

Motion carried.

The meeting adjourned at 9:31 a.m. The next meeting of the Board will be held on June 7, 2016.

Mr. William G. O'Brien, Chair

Stephanie L. Hamlett, Executive Director
Secretary to the Board